G.F.
43 of 1919
Financial Question
Gold Import.
Oct. 1919 — Apr. 1920.

G.F 82-19-1

•Import of our gold holding into India (Correspondence with Resident

The amount now to our credit with Messrs Coutts & Co. is about £ 200,000. If we arrange for remittance of this amour to India, we shall get only about Rs.20 lakhs at the prevailing exchange rate of 2 sh., i.e., Rs.10 per £.

2. The statutory rate for internal currency is still 1 sh. 4 d. and if we had our sterling balance in India we could have got 30 lakhs at this rate.

3. The pound sterling is at a premium in the Indian market and as the result of recent sales of gold by the Governmer of India, the premium has been reduced. The present price of gold is above Rs.25 per tola while according to the rate of ~~Rs~~ Rs.15 to the £, it should be only Rs.23-14-4. If we could get our sterling balance to India and sell it as gold bullion in th market, we could get more than 30 lakhs.

4. The embargo on the export of gold from England appear to continue still. The War having ceased, the request of the Mysore Government for bringing to India their sterling balance now locked up in London is not likely to be refused. The demar for free import of gold into India is insistent and though the Government of India have not yet agreed to permit such import, may expect that consideration will be shewn to our request.

5. Under the Gold Import Act XXII of 1917 the Government of India have taken power to acquire any gold or gold coin impc into India at rates fixed from time to time. The present ra is Rs.11-11-0 per £. This Act applies only to British India ar the power taken is only to acquire gold imported into British India. I do not think the import into Mysore of gold which is the property of the State comes under this Act. I have consult the Government Advocate and he is of opinion that "there does r appear to be any objection to import gold into our territories.

6. The power of compulsory acquisition taken by t h e Government of India is to prevent profiteering by persons who obtain gold at the present favourable exchange rate and bring

still statutory rate of Rs.15 per £- Ours is not a transacti of that kind. We have our bona fide revenue realised in ste ling in London and our proposal is only to bring such revenue India for meeting the demands of the State. Under Act XXII 1917 importation of gold is not prohibited but only power is served to the Government of India to acquire imported gold. Section 3 of the Act provides that "the Governor-General in Council ** may ***** take possession of any gold imported into British India." As I have stated in para 5 supra this Act ca not apply to gold consigned to the Government of Mysore but ev if the Government of India hold that it applies, they can expe except our consignments as the law neither prohibits import no makes the acquisition of every imported gold consignment compu sory on the part of the Government of India.

7. According to the Rules issued under the Defence of India Regulation 1 of 1918 which we have also adopted, melting of sovereigns and the sale of sovereigns for more than their face value of Rs.15 are prohibited. The Government of India a: selling bullion gold under a system of competitive tenders wit a minimum price of Rs.23-14-4 per tola which is the equivalent of Rs.15/- to the sovereign and this step is taken by them with view to reduce the premium which gold is commanding in the Indi market. Melting of sovereigns is no doubt prohibited but as the gold holding of the Government of India is derived from man ources including the gold acquired under the Gold Import Act, annot be stated the bullion gold sold by them does not contain ny melted coin. After all it is the rule prohibiting the mel ng of coins that has created any difference between bullion an oin, so far as sale is concerned. Besides, the bulk of our terling revenue is the royalty from our gold mines and it has eally to be viewed for this purpose as bullion gold. The fact hat this revenue is received in coins should not render the sition of the Mysore Government worse than what it would be d the mines paid their dues to the Mysore Government by giving share of the gold produced

8. Gold Mining Companies in other British Dominions beyc the Seas are being allowed to dispose of their gold in the most favourable market and the condition of sale to the Bank of Engl at the uniform rate of £ 3-17-9 per ounce has been relaxed. Th extension of the same freedom to the Gold Mining Companies in - India is under the consideration of the Government of India. such circumstances, the request of the Mysore Government to dis pose of their gold to the best advantage in the Indian market ca not be considered as unreasonable.

9. It is stated in the speech of the Finance Member de- livered on 24th September 1919 when introducing the Bill for amending the Indian Paper Currency Act that "the Secretary of State has already been able to secure fairly substantial quanti ties of gold and that these will shortly be on their way to - India." The offer to place our gold at their disposal will in crease the quantity available for sale and it may, therefore, be expected to be accepted. The Government of India may treat our gold as their own and import it to India for disposal in the open market according to the competitive tender system of sale recently introduced by them.

10. Under Article 12 of the Mysore Treaty "all laws and rules for the time being applicable to coins current in British India shall apply to coints current in Mysore". As we are -- denied the right of having our own coins, we lose all the pro- fits on coinage. When silver was cheap and the rupee was cost. ing less than 1 sh. 4d. the Government of India made a large gin which was formed into the gold standard Reserve. We have nc right to any part of this Reserve nor to a share of the return from the investment of this Reserve. It will not be fair on the part of the Government of India to ask us to bear the loss due to the dearness of silver when we are denied the benefit of gain on coinage of rupees from cheap silver.

11. What we ask for is only that we should be permitted to sell our sterling holding in the Indian market as the Gover nent of India themselves are doing. It is true that our hold s in the form of coins and what the Government of India are

are selling is not coins but bullion. But for reasons stated in para 7 supra this distinction has to be overlooked in the case of the Mysore Government.

12. We are not asking for any concessions at the expense of the Government of India. The Indian market is willing to buy gold and that at a premium and we have gold which is the State revenue realised in London and all that we ask for is permission to dispose of our gold for what it can fetch in the market just as the Government of India themselves are doing.

12. We need not insist on ourselves directly selling our gold in the Indian market. If the Government of India agree to our proposal we may leave the arrangements for sale in their hands. They are selling large quantities of their gold and our gold may be disposed of along with theirs. If they agree to this arrangement, we need not even bring our balance to India. We may simply authorise Messrs Coutts & Co. to pay the amount to the Government of India in London instead of in India.

13. From causes beyond our control we have had to submit to a substantial shrinkage of our sterling revenue owing to the steadily rising exchange and the system of sales arranged for by the Government of India, if permitted to be adopted by us, will not only save us all the loss that the increase in exchange from 1 s. 4d. to 2 sh. has entailed but will also enable us to get the benefit of the premium which the Indian market is willing to pay for gold.

15. The suggestion made above seems to be feasible and if we can persuade the Government of India to help us out of the difficulty, we shall get immediately more than Rs.10 lakhs, calculated on the present balance with Messrs Coutts & Co. The same arrangement may be continued so long as the statutory rate of 1 sh. 4 d. for internal currency remains unaltered and the increased international exchange rate continues. On all remittances brought under this arrangement, we shall save Rs.5 per £ if not more, if we are able to get the premium prevailing in the market.

16. I may summarise my suggestions:-

(i) We may ask for permission to import our sterling balan from England to India. As the Gold Import Act does not apply to Mysore and as the import into Mysore of gold coin or gold bullion is not prohibited by the Mysore Treaty, our request can not be refused by the Government of India.

(ii) As the Gold Import Act does not apply to Mysore, no question of acquisition by the Government of India of our consignment at the rate of Rs.11-11-0 per £ now in force accordi to the orders of that Government can also arise.

(iii) Once we import our holding, it will get the benefit of at least the statutory rate of Rs.15 to the sovereign and we shall be saved the large loss entailed by the high exchange rat

(iv) As the Government of India are selling gold for highe prices than Rs.15 Rs per £, we may be permitted to dispose of ou gold also similarly. Our coins may be treated as bullion for this purpose.

(v) We need not actually import our holding to India or arrange to sell it in India. If the Government of India apprc of our proposal, we may leave to them all the details for the disposal of our holding and take payment in rupees in India according to the rate at which our holding or its equivalent is sold in India.

(vi)

17. I have put up a draft D.O. to the Hon'ble the Resident and a draft submission note to His Highness.

(Id.) M. N. K.,

1-10-1919.

D.O. Letter No. 303 dated 10th October 1919 from the Dewan of Mysore to the Hon'Ble the British Resident in Mysore.

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The Durbar receive a large part of their revenue in sterling in London and it consists mainly of the amounts payabl by the Kolar Gold Mining Companies. The increase in the rate of exchange from 1 sh. 4 d. to 2 sh. per rupee has ~~apparentl~~ appreciably reduced the silver yield of this sterling revenue and the Durbar's calculations have, therefore, been seriously upset and they are faced with a large deficit which compels a contraction of the budget programme involving a set-back to administration in many departments. The Durbar have now to th credit with their London Bankers about £ 200,000 and if they ar permitted to import this gold holding to India, they would be saved ~~by-the-high-rat~~ a part of the loss to which they are subjected by the high rate of exchange.

2. As the Government of India are selling gold once a fortnight under a system of competitive tenders with the minimu price of Rs.23-14-4 per tola which is the equivalent of ~~Rxxxx~~ Rs. to the sovereign, the Durbar would further request that they ma be allowed to dispose of theor gold holding similarly in the -- Indian market. The holding is in the form of coins but the Government of India may kindly allow it to be exchanged for an equivalent quantity of bullion from their Paper Currency Reserve or otherwise.

3. I would invite reference in this connection to Art. 7 of the Mysore Treaty which places no restriction on the import into Mysore ~~for~~ of gold coin or bullion. The request does not also involve any departure from Article 12 of the Treaty.

4. The Durbar having no coinage of their own get no profit on coinage when silver is cheap and the rupee costs less than 1sh. 4d. When silver is dear, as it is now, it will be hard on the Durbar if they are not allowed to dispose of their gold holding for what it can fetch in the market.

5. Further, the request does not entail any loss or expense on the Government of India. The Indian market is willing to buy gold and that at a premium. The Government of India ar selling their gold and Durbar may likewise be permitted to dispose of their gold holding.

6. The Durbar are not anxious to actually import their gold holding or to sell it themselves. All that they want is that the disposal of their holding in the manner proposed above may be authorised and if this is done, they will be content to leave the arrangements for its sale in the hands of the Government of India. The amount will be paid to the Government of India in London and against it the sale in India may be arranged for.

7. I understand that the arrangement for sale of gold by the Government of India is only for three months. In view of this and of the fact that sales are gradually reducing the premium which gold is commanding in the market, the Durbar are anxious to have their holding sold as early as possible. The Durbar are also in urgent need of their funds now locked up in London for expenditure in India. I would, therefore, esteem it a great favour if you will be so kind as to move the Government of India by telegraph to kindly accede to the request of the Durbar.

D.O. Letter No. 7779 dated 13th October 1919 from the Hon'ble the British Resident in Mysore to the Dewan of Mysore.

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I have received today (the 11th instant) your demi-official letter No. 303 dated the 10th October on the subject of your gold holding in England, and I am sending on a copy of it at once - treating your letter for this purpose as an official one -- to the Political Secretary for favour of orders.

2. In so complex a matter, I cannot address Government by telegram, but I have requested that I may be favoured, if possible, with a telegraphic reply which will be communicated to you as soon as it is received.

D.O. Letter No. 8829 dated 12th November 1919 from the Hon'ble the British Resident in Mysore to the Dewan of Mysore.

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Please refer to the correspondence ending with my dem: official letter No. 7779 dated the 11th October 1919, regarding the ~~dine~~ desire of the Durbar to bring to India £ 200,000 in gold whicl they have to their credit with the London Bankers, without incu: ring the loss by exchange which results from remittances to Ind: at the rates now prevalent.

2. The Government of India see no objection to the Durba: transferring their holding in England to India. But they stat(that it is not clear to them whether the Durbar have any actual gold in London, or whether, when you speak of gold in the form c coins, what you really mean is that the Durbar have sterling cre- dits which they convert into sovereigns when they choose.

In the former case, the Government of India suggest that the Durbar's difficulty can be overcome in the following way:-

The price of gold in London being competitive, there is nothing to prevent the Durbar from selling the gold to the highe bidders; in all probability the Secretary of State would b e quite willing to buy it from the Durbar at the market price of t day. Having sold the gold, it is a question of remitting t h proceeds to India, and in the present conditions of the exchange market in India, the Indian Exchange Banks would no doubt buy st ling from the Durbar in the neighbourhood of 2 sh. In view of the large premium which the Durbar will get on their gold sold in London, it is clear that this affords them a means of retran ferring their funds to India without substantial loss; t h e transaction might even conceivably work out at a profit.

3. If, however, the Durbar merely have a certain sum at their credit in the books of some bank at home, and are n o t actually in possession of £ 200,000 worth of gold, then, as gol is at a premium in London (the present price being about 99 sh. per fine ounce as compated with a normal of 85 sh.), their ster

sterling holding will yield a much smaller quantity in gold thar the Durbar anticipate. Also; if the Durbar import gold i n t India, this can only be done under the conditions applicable to the general public, and the gold will be paid for by the Government of India at Rs.11-11-0 per sovereign and not at Rs.15/-, a s apparently desired by the Durbar. All that the Durbar can d o in this case is to get their money out as quickly as possible whi the present exchange conditions continue.

4. I am at the same time to inform the Durbar that they would not be well-advised to hold out longer in the hope of getting any more favourable rates, at least for some time to come, and that, as the present exchange conditions mentioned above may only last for a few weeks longer, it is desirable that they shou move at once in the matter, all the correspondence being conducted by telegraph.

G.F. 82-19-1
2nd Note by the Financial Secretary - Import of gold holdings

Re. D.O. No. 8829 dated 12th November 1919 from the Hon'ble the Resident.

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I shall make some remarks upon the several paragraphs of the Resident's letter dated 12th November 1919 before noting on the advice contained in paragraph 4 of it.

Para 2.-- It is clear from the first sentence of this para that there is no objection to the shipment from England to India of our sterling specie with our Bankers there.

We have no gold bullion in London and as we have said in para 1 of our letter dated 10th October 1919 what we have is £ 200,000. It is a sterling credit but it can be converted into sovereigns at any moment. As our holding is in the form of coins, it is not necessary to consider the suggestion of the Government of India in regard to the sale of bullion in London and the remittance of the proceeds to India.

Para 3. -- What we hold in London is, as stated above, not bullion but coin. Our proposal was to exchange coin for bullion with the object of selling the latter in the Indian market for getting the premium which it commands there and not for selling it in the London market. Owing to the enormously inflated currency the pound sterling has largely depreciated and it was never our intention to buy gold bullion in the London market by paying for it in the depreciated pound sterling.

The Government of India offer us Rs.11-11-0 per sovereign if we import our sterling balance to India and not Rs.15. This is the whole point of the case and it is difficult to see, as I shall explain presently, how the Government of India proposes to bring the imports on behalf of the Mysore Government "under the conditions applicable to the general public."

Para 4.-- Here, I think, the Government of India appear to refer to the probable course of exchange in the immediate futur and to the acquisition rate of Rs.11-11-0 per £ which they are

remitted to India with the least possible delay. The case requires to be discussed further before we can decide whether we should act upon this advice.

This letter of the Resident is not a direct reply to our letter and it seems to me that some of the important points mentioned in our letter are evaded.

In para 4 of our letter we requested that our gold coins may be permitted to be exchanged for gold bullion from the Government of India Paper Currency Reserve or otherwise and that the bullion thus obtained may be permitted to be disposed of in the Indian market on the conditions under which the Government of India themselves are disposing of their gold. There is no direct reply to this point in the Resident's letter.

In para 3 of our letter we invited attention to the fact that under the Mysore Treaty we could import into Mysore gold coins without any restriction. There is no allusion to this point also in he Resident's letter. It is true that the export of gold coin from England and its import to India are stated to be open to us but that the Government of India propose to apply to our consignments also the acquisition rate of Rs.11-11-0 per pound "under conditions applicable to the general public." It is not stated under what authority the Government of India propose to apply to a consignment of the Mysore Government the law applicable to private imports of gold into British India. On this point I invite reference to para 5 of my note dated 1st October 1919. If according to the condition in the Mysore Treaty we can import gold coins into Mysore it is difficult o see how the British Indian Law of acquisition of gold enforced i regard to private imports into India can be applied in the case of imports of the Mysore Government into Mysore.

I would invite in this connection reference to para 6 of my note dated 1st October 1919. The law under which the Govt. of India acquire gold imported into India only provides that "the Governor-General in Council ********** may take possession of any gold imported into British India". I think an import

doe s not come under this law and that even if it does, it is not a case in which the Governor-General should exercise his power of compulsory acquisition. The law provides for cases which need not be brought under it and an import of gold coins forming the revenue of the Mysore State is, I consider, entitled to come under the exception.

In para 4 of our letter we assigned some reasons to shew how it would be hard on the Durbar if they are not allowed to import their gold holding for what it can fetch in the Indian market. There is no allusion to this point also in t h e Resident's letter.

In para 5 of our letter we pointed out that our request would not put the Government of India to any loss or expense and that what we asked for was only permission to adopt t h e arrangement which the Government of India themselves were following. There is no reply to this point also in the Resident's letter.

It seems to me that a further reference is necessary tothe Government of India. I would also suggest that the legal aspect of the matter may be more closely examined. Considering the fact that the Resident's letter evades the important arguments on which we relied to supporting our request I think we have to press for compliance with our request for bringing to India our gold balance for exchanging ~~xx~~ it at leat at the still statutory rate of Rs.15 per pound, if not for gettir also the large premium which gold bullion is commanding in the market. Even when we addressed our communication to the Resider we were not very hopeful that they would give us gold bullion ir exchange for our coin. Please see paras 2 and 4 of the Note of Submission to His Highness. Our request for adopting some ---- arrangement under which we can get Rs.15 per ~~se~~ pound is, I consider, a very reasonable one and the Resident's letter is, by nc means, clear on what authority it is proposed to refuse to comply with it.

As regards the advice of the Government of India that we should bring our balance here without losing any more time, I

have only to state that we make a further erepsentationto be permitted to bring ever our balance to India for realising at least the statutory rate of Rs.15 to the pound, if not the premium which gold bullion can fetch in the market and that if the further representation fails we should utilize the sterling balan for buying up the Railway Debenture stock, the proposal about which is now before Government.

To facilitate disposal I put up a draft reply to the Resident.

(Id.) M. N. K.,

13-11-1919.

D.O. Letter No. 431 dated 15th November 1919 from the Dewan of Mysore to the Hon'ble the British Resident in Mysore.

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I thank you for your demi-official letter dated the 12th November 1919 conveying the orders of Government of India on the proposal made in my letter No. 303 dated 10th October 1

2. The Durbar hold in London not gold bullion but sterl credit with their Bankers -- Messrs Coutts & Co. -- which can converted into sovereigns at any moment. What the Durbat want was that they might be permitted to bring their gold balance i India for disposal and for realizing, if possible, the premium which gold bullion is commanding in the Indian market. The ob ject was not to purchase gold bullion but to dispose of their gold balance to the best advanatage on conditions similar to those on which the Government of India are selling their gold. Your letter does not make it clear how this request has been onsidered by the Government of India.

3. If, for any reasons, it is impracticable to comply with the request of the Durbar for giving bullion in exchange Heir coin, it is not cleat why they should not be permitted to import their coin balance under the conditions mentioned in para 3 of my letter dated 10th October for enabling them to ge the statutory rate of Rs.15 per pound.

4. It is stated in your letter that imports of gold can be permitted only " underthe conditions applicable to t h e general public and they will be paid for by the Government o India at Rs.11-11-0 per sovereign and not at Rs.15/-." I m a state that Section III (i) of the Gold Import Act XXII of 1917 does not make the acquisition of every consignment of gold imp ed into India compulsory but only provides that"the Governor-General in Council ** ** may take possession of any gold imported into British India". The gold which forms revenue of the Durbar and which was paid to their credit in London in the usual course has, from circumstances beyond thei

control, depreciated in value with the result that their finan calculations have been seriously upset and they are faced with a large deficit which compels a contraction of the budget pro gramme involving a set back to administration in many departme: In such circumstances, the request of the Durbar to import gol coins which is permissble according to the Mysore Treaty, is d serving of favourable consideration on the part of the Governm of India and imports on behalf of Myosre State need not be bro under the Gold Import Act. The Durbar have not proposed that their sterling balance should be taken over on import by the Government of India at the rate of Rs.15 per pound; they have only requested that they may be enabled to bring their gold balance to Mysore so that they may use it at the statutory rate of Rs.15/- per pound, in payment of the many State demands to be met. In the circumstances explained above, the proporal of the Durbar may be sympathetically viewed by the Government of India.

5. May I request you to be so good as to place with your kind support the representation of the Durbar before the Government of India and obtain their orders for allowing the Durbar to bring their gold balance to Mysore without the Gold Import Act being enforced in regard to their imports ?

G 782-19-1

3rd Note by Financial Secretary
Reminder to Residency re Import of Gold

It is now over three months since our second let on the subject of the import to India of our gold balance London was addressed to the Residency and yet we have not heard in reply to it. In the meantime the premium on gol bullion and sovereign is falling, due to the action of t Government of India in selling large quantities of gold tc the public. On the Report of the Currency Committee, the Government of India have also withdrawn the prohibition -- against the sale of sovereigns for more than their face va Although prospects of reducing the value of a sovereign to 10 rupees appear to be somewhat remote, yet such reduction is the object of the recommendation of the Currency Commit Delay in the settlement of the question is therefore undes able. If we can get our gold balance remitted to India at all, we should do so as early as possible to take advantag of at least the premium which the Indian market is now pre pared to pay. I therefore put up a draft reminder to the R e s i d e n t.

2. Whether sovereigns can be obtained for our ster. ling balance with Messrs Coutts & Co. is perhaps doubtful. Currency in England has not been legally declared to be -- inconvertible. There appear however to be practical diffi culties in obtaining gold on account of the enormously in- flated currency and the utterly inadequate gold backing for it.

There is however one point in view of which o u r right to get gold cannot, I think, be disputed. Royalty payable to us is part of the yield of the Mines, and so lc as the gold produced is sold for the refulation rate o f £ 3-17-9 the sale proceeds cannot be held to be depreciate sterling but actual gold coin. £3-17-9 is the exact coi

part at any rate of our revenue realised in London cannot to be treated as other than gold and there ought not be any dif culty in obtaining sovereigns for this part of our balanc The Gold Mining Companies cannot expect us to accept depr ciated sterling when they are selling their production fo the coin equivalent. Neither can the Bank of England ref to pay in coin for gold bought for its bare coin price.

3. If the Government of India should object to our importing gold coins, I think we may well point out to th that such coins at any rate so far as they reprepsent the royalty payable by the Kolar Gold Mining Companies are go produced in Mysore and exported from there. It will not b reasonable to contend that what was, for the convenience c the Companies and perhaps of the British Mint, exported ir the first instance from Mysore to London should not be imp ed into Mysore. If the Government of India hold that the import of gold into Mysore cannot be permitted they cannot reasonably expect us to permit its export. There is nothi in the Mysore Treaty to prevent us from prohibting the exp of gold. This aspect of the matter should be conclusive against the application of the "Gold Import Act" to consig ments intended for the Mysore Government.

4. The acquisition of Kolar gold at less than i t market ~~value~~ price is to the benefit of the British tax-pa and it is not right that such benefit should be obtained a the expense of the Mysore tax-payer.

(Id.) M. N. K.,

19-2-1920.

D.O. No. 571 dated 21st February 1920 from the Dewan of Mysore to the Hon'ble the British Resident in Mysore.

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May I invite reference to my demi-official letter No. 431 dated 15th November 1919 regarding the import to Mysore of the gold balance held by the Durbar in London ? There a r e some considerations which make it desirable that the Durbar -- should have their balance brought over to India as warly a s possible. Owing to the large quantities of gold that t h e - Government of India are selling, the premium on it is falling. The prohibition against the disposal of sovereigns for more than their face value has been withdrawn. It has also been announced that the statutory rate will be reduced to Rs.10 per £, as soon a such a step becomes practicable. The minimum price of Rs.23-14 per tols which is the equivalent of Rs.15 to the sovereign is no longer insisted on in the arrangement for the sale of gold by the Government of India. In view of all these circumstances, the Durbar are anxious to import their balance now locked up in London and to dispose of it for at least the price now ruling in the market. I shall be much obliged if you will kindly arrange to reach an early settlement in the matter.

G 7 82-19.

Note by Financial Secretary.

2nd reminder to Residency re Import of Gold and Payment of Subsidy in London.

' Our balance in London is rising and with a view to earn some interest upon it we have been investing the major portion of it in a liquid and short term security, viz., three mon British Treasury Bills. The problem of utilising the London Balance however remains unsolved. We are prevented from attemping a solution owing to the unnecessarily long delay in t h e disposal by the Government of India of our representation to convert our sterling balance into gold sovereigns and to bring the specie over here. It is now nearly five months since w e addressed the Government of India and even our second communication to them on the subject sent more than three months back has fetched no reply. We have also sent a reminder asking for an early settlement of the question.

2. The silence on the part of the Government of India has kept us in suspense and in the meantime conditions are altering against us, as the Government of India are saturating the market with the gold that they are selling and rapidly bringing down the premium upon it. At the time when we applied for permission to bring over our balance to India, the price of a tila of fine gold which the Government of India themselves were realising on their sales was about Rs.28 and the market value of it was of course even higher. At t h e last sale held by them on 19th February 1920, the Government of India have accepted even a rate so low as Rs.16-2-3 per tola. At this latter rate, the value of a sovereign is about Rs.10/-. On the recommendation of the Exchange and Currency Committee the Government of India have declared it to be their policy to legislate as early as possible for making the sovereign legal tender at Rs.10 instead of Rs.15. As, however, there is for the present disparity between the commercial price ofgold in India and the intended Indian Mint par of one sovereign for Rs. they have decided upon continuing as a provisional measure the

present statutory rate of Rs.15 per sovereign. This, however, i only a transitional arrangement and we do not know when the lega ratio will be reduced. The commercial price of gold is also be ing rapidly brought down as the result of placing large quantiti of the metal at the disposal of the market by the Government of India and we are losing the chance of getting for our gold even the price which the current Indian market conditions offer us. On the publication of the Report of the Committee on Exchange an Currency, the Government have withdrawn the prohibition in regar to the melting of sovereigns or their disposal at more or less than their face value which at present stands at Rs.15. There is accordingly nothing to prevent us from disposing of our gold bala nce in the market if only we could bring it over to India. For arranging for this remittance, however, we have to depend upon the good-will of the Government of India and of the Govern- ment of the United Kingdom. The latter has to remove the embar on the export of our gold and give us a license for bringing it here and the former has to exempt our consignment from the opera tion of the Gold Import Act which is still maintained in spite o the most insistent demands urging the free import of gold on private account.

3. As a partial solution of the problem of finding a dis- posal for our rising gold balance in London, I propose that we may ask the Government of India to accept in London the second instalment of the subsidy falling due on the 31st current month at the statutory rate of Rs.15 per pound. I think we are en- titled to propose this arrangement as the delay on the part of the Government of India in giving us permission to bring over our gold from London has already entailed considerable loss on us and further delay is bound to increase the loss and perhaps make it impossible for us to realise anything more than Rs.10 per sovereign, if the internal price of gold is brought down to that level by saturating sales made by the Govt of India or if they introduce legislation to fix the legal rati at that amount. The request for accepting our gold at the sti statutory rate of Rs.15 per £. cannot be considered unreasonable u reasonab

unreasonable in such circumstances.

4. There is an additional factor which should strengthen our claim for at least Rs.15 per £. I refer to the fact that the production of our Gold Mines is being bought up partly by the Government of India and partly by the Government of the United Kingdom at prices which they cannot but admit as being most unfair both to the Companies and to the Mysore Government. The Government of India is acquiring the Kolar Gold at Rs.55-8-0 per ~~tola~~ Standard from May last and selling it at much higher rates. The Government of the United Kingdom is purchasing a moiety of the Kolar Gold at 85 sh. per fine ounce while the market price is much higher. The present price of a fine ounce of gold is, I believe, in the neighbourhood of 118 sh. The difference between 85 sh. and the market rate is a pure gain to the Government of the United Kingdom.

5. There is another reason in support of our request. What we propose to offer to the Government of India in London is not mere sterling credit but gold sovereigns and this for two reasons. Currency is not legally inconvertible in England and our request for gold cannot be refused. Besides when our gold is being bought at 85 sh. per fine ounce which is the bare coin equivalent of an ounce of gold, the purchaser, that is, the Government of the United Kingdom cannot refuse to pay us the coin equivalent when we ask for it. Considering all things, it seems to me that our request should not be considered unreasonable by them. In any case, we have to make a serious attempt for realising Rs.15 per £ of our balance in London and also for finding a disposal for a part at least of our holding in London. I accordingly submit a draft to the Residency.

(Id.) M. N. K.,

5-3-1920.

D.O. No. 581 dated 6th March 1920 from the Dewan of Mysore to the Hon'ble the British Resident in Mysore.

A large part of the revenues of the Durbar is held up in London pending the orders of the Government of India, on the proposal made in my D.O. letter No. 303 dated 10th October 1919. The delay in remitting their funds is causing the Durbar conside able inconvenience in meeting their demands. The second instalment of the subsidy due to the British Government has to be paid on the 31st of the current month, but the only source from which the Durbar can meet this demand is their balance now lying in London.

2. As I have explained in the correspondence ending with my D.O. No. 571 dated 21st February 1920, the Durbar consider - that it is not proper to subject the imports of gold belonging to them, to the restrictions imposed by the Gold Import Act. Th Mysore Treaty does not prohibit the import of gold or gold coin into Mysore and the amount proposed to brought over to India is the bona fide revenue of the Durbar realised in London, and thei request to transfer it to India so as not to involve loss on exchange cannot be held to be unreasonable.

3. If the Durbar are not enabled to realise for their gol balance the statutory rate of Rs.15 per pound even as long as suc rate is in force, they will be subjected to a very heavy loss as the revenues on which their budget programme is based will be su stantially reduced and they will be unable to meet the many demar to which they are committed. It has been decided on the recommendation of the Exchange and Currency Committee that the statutory rate should be reduced from Rs.15 to Rs.10 as soon as possibl When this reduction is made, the Durbar will, with their annual gold revenues, be permanent losers. But during the transitiona period when the internal ratio remains unaltered, the Durbar hav a chance of saving themselves a part of the loss and they would request that this chance be not denied to them.

4. A large part of the Durbar's revenue realised in Londor consists of the payments made by the Kolar Gold Ming Companies. The gold balance held by the Durbar in London, is therefore that which was exported from Mysore. The imposition of any restriction on the import of such gold into Mysore will not be fair. It is only right to permit the same freedom for import of gold into Mysore as that allowed for its export from Mysore.

5. In these circumstances explained above, the Durbar request that the permission applied for by them for bringing over their gold balance into India with a view to realise for it the till statutory rate of Rs.15 per £, may be given and that the second instalment of the subsidy payable to the Government of India on the 31st of the current month may be accepted in London at the same rate. They also request that the communications with the authorities concerned may, if necessary, be kindly made by telegraph and that sanction be obtained in time, to permit of their making the payment of the subsidy before the close of the month, by cabling instructions to their London Bankers, Messrs Coutts & Co.

D.O. No. 199/Enc.

Financial Secretariat,

Bangalore, the 26th March 1920.

My dear Sir,

I herewith send copies of my notes on the following subjects:-

(1) Sale of gold by the Kolar Mines for less than its proper market value.

(2) Remittance of our London Balance without entailing loss on exchange.

& (3) Payment in London of second instalment of subsidy due this month.

Yours sincerely,

M. Venkatarao

A. R. Banerji, Esq., M.A., I.C.S., C.I.E.,
First Member of Council, BANGALORE.

es on points for discussion with

Mr. Henry C. Taylor.

New arrangements for sale of gold.--

a) Will the system of selling half in
don and the other half in India continue?
(b) If so, will the sale be to the pub-
or to the Bank of England and the Gover
t of India ? If to the latter two, at
t rates ? And what is the term of the
contract ?

2. Payment of entire royalty in India
(a) How is this request of the Mysore
ernment proposed to be dealt with by
Companies ?
(b) If the whole of the production is
d in India, no difficulty in paying
alty here will arise.
(c) If, however, any share of it is
d in London, how will the Companies
ange to pay the royalty calculated upon
h share to the Mysore Government in
lia ?
(d) Under the lease royalty is not pay-
le in London. Recent exchange and currency
fficulties have emphasised the need for
yment in India. Whatever is the portion
ld in India, payment of the whole royalty
the Mysore Government in India has to
arranged for.

3. Payment of price of electric power.--
(a) The Mysore Government have asked for
ment of price of power also in India.

(b) How is this request of theirs pro-
sed to be dealt with by the Companies ?
(c) According to the contract, this
em is payable in London but exchange
fficulties have compelled the Mysore
vernment to ask for payment in India.
(d) If the whole of the gold is sold
India, there will be no difficulty
aying even this revenue there.
) Even if the whole is not sold,
share to be sold there may be so
lated as to enable the Companies
ay the price of power as well in
.a.
:) The price of power is fixed in pounds
:ling. If it is to be paid in India,
t rate of exchange is proposed to be
pted ?
g) At the time that the contract was
ered into, there was no distinction
ween a pound sterling and a sovereign
has to be assumed that the pound ster-
ig contemplated in the contract is that
nvertible into gold. This assumption is
pported by the fact that the price of
ectric power is really paid from the
oduction of the Mines which is gold. When
erling is depreciated, the payment of the
ice of power in depreciated sterling
the Mysore Government would mean undue
dvantage to the Companies and undue dis-
dvantage to the Mysore Government. When
old is sold for more than £ 3-17-9 per
tandard oz., the Companies realise a price

sterling and when they realise such
ue, if they pay to the Mysore Govt.
same number of pounds sterling as
ore, the advantage is entirely with
Companies. Such an arrangement is
fair. When gold is sold for a high-
value, it is reasonable that the price
electric power should be raised in
same proportion. This arrangement,
ever, makes the price of electric
er to be paid to the Mysore Govern-
t fluctuating. It is desirable t_
e a stable arrangement and it may take
form of giving to the Mysore Govern-
t for every 113·0016 grains of fine gold pound per H.P. contemplated
the agreement or the rupee equivalent
such gold bullion.

. Royalty calculated upon dividends.-
ven this has to be paid in India. The
e arrangement as in regard to the price
power for calculating the amount i n
d payable to the Mysore Government and
converting such gold into rupees may
adopted.

. If the arrangement under which
d is being sold to the Bank of England
£ 3-17-9 per standard oz., continues
any longer period, cannot the Com-
ies give us the royalty payable upon
-put in bullion instead of in ster-
g ? Receipt of royalty in bullion
ngs some advantage to the Mysore
ernment and it has, therefore, to
arranged for at once. If t h e

ompanies agree to pay us in bullion, rrangements will have to be devised for eceiving it in London and disposing of there. If, however, it is possible or the bullion to be made over to us in ndia, it is a much better arrangement nd if possible, we have to ask the Com- anies to agree to it.

6. Even after the South African and ther Companies were permitted to dispose f their gold in the open market, the lar Companies have been selling their old at the low price of £ 3-17-9 per tandard oz. to the Bank of England. It as to be ascertained whether they pro- ose to obtain any compensation from the ank of England for the low price at hich gold was sold to it. If any com- ensation can be obtained, we shall get share of it as the value of the out- ut measured in sterling sale proceeds ill be larger and our share of royalty orrespondingly greater.

7. If the Government of India do not ive us the permission to ~~bring over~~ import overeigns here, we shall have to buy bul- ion in London and bring it over here. To ave the trouble and risk of buying bul- ion in London, we may ask the Companies o sell their gold production to us here against payment by us in London from our balance with Messrs Coutts & Co. This arrangement, of course, requires the permission of the Bank of England to free

he Companies from their obligation to their production to the Bank and permit them ell ~~it~~ it to us here.

8. We may also ask Mr. Taylor as re-
ards the conditions on which sovereigns
an be obtained from the Bank of England
nd those on which their export can be
rranged for. We might incidentally men-
ion that as the gold was sold for the
old price of £ 3-17-9 per standard oz.,
he moral claim of the Companies and the
ysore Government to ask for gold in return
or notes is strong. There is, of course,
he legal right also as specie payment has
ever been suspended by the Bank of England.

9. We have also to make a general en-
uiry of Mr. Taylor in regard to the in-
luence of the new currency policy of the
overnment of India on the Sale of Gold by the Kolar Mines. Should the commer-
ial value of gold be in excess of the
roposed parity of one rupee for 11.3 grains
ow do the Companies propose to obtain
the premium which gold will command in
the market.

Payment of Gold mining Royalty, Electric & Water
(Correspondence with Companies).

The essential point is how the price of Rs.55-8-0 per standard ounce has been calculated. The letter of Messrs - John Taylor & Sons Committee is silent on this point. Very important questions arise for consideration but it is not possible to discuss or decide them in the absence of the details of "the new arrangements which have been come to regarding the sale of gold by the Kolar Mining Companies." I would, therefore, suggest that we may request Messrs John Taylor & Sons Committee to furnish us with a copy of the document in which full details of the arrangement of sale of half the production to the Bombay Mint are given.

2.. The claims on account of water and Police charges are in silver and there is no objection to receive payment in India as proposed by Messrs John Taylor & Sons Committee. The remaining three items payable by the Companies are (1) royalty on net sale proceeds, (2) Cauvery Power Bills, (3) and royalty on dividends; and these are fixed in sterling. Which of these items or what portions of them should be paid to us in India and at what rate of exchange the sterling amounts should be converted into silver are matters about which it is not possible to come to any decision in the absence of information which I have proposed above to call for. In the meantime, the Comptroller may be informed that he may accept payment for Police and Water Bills by cheques on the Bank of Madras and that half the royalty on net sale proceeds may also be received at the proposedrate per ounce, by --- cheques on the Bank of Madras or the Bank of Bombay according to the requirements of resource operations, subject to the consideration, on receipt of further information, of the questions of the amounts payable in India and the rate of

Copy of letter dated 5th July 1919, from Messrs. John Taylor & Sons' Committee, Oorgaum, Province of Mysore, India, to the Comptroller to the Government of Mysore, Bangalore.

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Sale of Gold
in India.

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In continuation of my letter of the 30th ultimo, I have received mail advices to-day which enable me to inform you of the new arrangements which have been come to regarding the Sale of Gold by the Kolar Mining Companies.

One half of the total Gold output commencing with consignment No.113 particulars of which you have already received, will be sold to the Government of India at the price of Rs.55/8 (Rupees Fifty-five and annas eight) per standard oz. The transaction -- will be effected through the Mint in Bombay , and the proceeds wi- will be paid over by the Accountant-General, Bombay, such payments usually taking place about two weeks after the Gold has been despatched from here. The remaining half of the Gold will continue to be sold to the Bank of England in the same manner as heretofore.

The silver contents of that portion of the Gold which is sold to the Government of India will be valued at quarterly intervals and credited to the Mines against the cost of refining for which an account will be submitted by the Bombay Mint. The resultant balance either debit or credit will be settled in cash between the Companies and the Mint.

The effect of this change in procedure has been considered in its relation to themethod of payment of certain accounts to th Government of His Highness the Maharaja of Mysore. The accounts in question concern the following:--

1. Royalty,
2. Cauvery Power Bills,
3. Water Bills,
4. Quarterly maintenance of the Kolar Gold Filed Detective Police F
5. Royalty on Dividends.

In regard to the above, Messrs. John Taylor & Sons' write as -- follows:

"On the occasion of the Mysore Government 'approaching us

through the Committee in regard to Royalty, Cauvery and Water accounts being paid to them on your side by remittances from London, we were unable as the Mysore Government will have understood, to proceed in this matter by reason of the stringent regulations prevailing at the time concerning telegraphic transfers from this Country; indeed, so drastic at one time were the arrangements in this connection, that we had the greatest difficul in sending to the Field the customary remittances for meeting th ordinary working Costs.

"In our last communication we explained that our negotiations with the Government of India for the sale of Gold had exte ed over a considerable period and it was only in last month we s ceeded in obtaining an offer acceptable to the Companies. Arisi out of this new method of selling the gold, we have given our ca ful consideration to the question of payments on your side to th Mysore Government, and we now furnish you with directions in regard to these.

"Royalty.--Concerning such portion of the gold as may be sold to the Government of India, we wish the Superintendents to respectively pay the Royalty on this gold in Rupees, calculating the 5 per cent. on the Rupee proceeds received, less the customa deductions.

As regards the remainder of the gold sold to the Bank of England, settled for on this side, Royalty payments will, as her tofore, be remitted to Messrs. Coutts & Co., the London Agents o the Mysore Government.

"Cauvery Power Bills.--We propose that for the present the Companies shall continue paying in London these electric power accounts to Messrs. Coutts & Co., for account of the Mysore Govt

"Water Bills.--Our Committee can arrange after receipt of this letter, to pay future Water accounts direct to the Mysore - Government, in Rupees, thus obviating any questions of Exchange.

Any accounts for water that may have already been mailed

Police Accounts.--The quarterly accounts for maintenance of the Kolar Gold Fields Detective Police Force can also be settl on your side, commencing with the account for three months ending the 30th June 1919.

"For our Committee's information we would mention that this expenditure is proportionately collected from the Gomapnies concerned, on the basis of gold produced in the preceding year.

"Royalty on Dividends.--These will be paid to Messrs. Coutt & Co., as on past occasions.

Acting on the above instructions it is therefore now pro posed to proceed as follows:--

Royalty.--It has not yet been decided whether it would be more convenient for this matter to be arranged between you and the individual Companies or between you and this Office acting collectively on behalf of all the Companies. Payment under this arrange ment will take effect as from consignment No.113 and subject to -- your views, I will communicate with you in a few days time regard the procedure.

Water Bills.--The Bill for May supplies has already been -- forwarded to London and will paid for there. As regards the Bill for June supplies I am prepared on hearing from you, to forward y a cheque in payment and to continue this procedure every month so long as the present instructions stand.

Police accounts.--The next account payable hereunder is for quarter ending the 30th June last and in regard to this, I am prepared to follow the same procedure as in the case of Water.

GT. 882-17-4

Calling for information from Companies re Sale of Gold.

D.1380.

The gold produced by the South African and other Mines in the British Dominions which was required to be sold during the War to the Bank of England at the uniform rate of £3-17-9 per ounce of standard gold, is now permitted to be disposed of in the open market at the highest price of the day. One consignment from South Africa sold in the third week of September 1919 is reported to have realised an aver price of 99 shillings per ounce of fine gold, which represe a premium of about 16 per cent. over the pre-war price. It is not known if the Kolar Gold Mines have not been allowed the same freedom to sell their production for the highest price it can fetch. The companies would, in all probabi lity, have asked for the same permission as has been grante to the Mines in the other part of the Empire and we are in- terested in ascertaining how the question concerning the disposal of the production of our Mines has been settled. the gold is sold for a higher price, the Royalty due to us will be more than what we are now getting. Disposal of t production for the highest price that gold bullion now com mands in the market would benefit both the Companies a n the Mysore Government. I have proposed in the draft put up to ask for information on the subject and it may b e approved.

(Id.) M.N.K.

27-10-19.

2nd note by the Financial Secretary re Sale of Gold by the

I request reference to para 1 of my note dated 18 August 1919. The chief object of our proposal to ask for a copy of the agreement entered into by the Companies with the Government of India was to ascertain how the price of Rs.55-8 per standard ounce had been calculated. The reply from Mes John Taylor & Sons Committee received on 5th November 1919 - stated that "no agreement was entered into with the Governme of India, the settlement arrived at being embodied in letter and that the details of the settlement have already been com municated to Government through the Comptroller.

2. The Government of India have been seeling gold und system of competitive tenders, the minimum rate being Rs.2 per tola which is equivalent to Rs.15 per £ sterling. At 23 per tola of fine gold, the silver value of an ounce of stan gold is ~~xxxx~~ Rs.58-5-0. Gold bullion is, however. commandi a high premium and tenders for purchase of the gold offered the Government of India are therefore received at rates muc higher than the minimum rate and at the last sale ~~xxx~~ held them on the 17th November 1919, the Government of India rea an average rate of Rs.27-0-11 per tola of fine gold on a to sale of 5,18,500 tolas. At the rate of Rs.27-0-11 per to the price of a standard ounce of gold is Rs.66/-. The act market price for gold is even higher. The price of Rs.55- is therefore less than what it should be even at the minim rate of Rs.23-14-4 per tola and much less than what the Gov ment of India are actually getting by selling gold in the market. The present acquisition rate is no doubt less. this rate applies only to <u>imported</u> gold and the rate at w the Government of India are buying the Kolar gold is not the compulsory acquisition rate. How in these circumsta the rate of Rs.55-8-0 was offered by the Government of Ind accepted by the Companies, it is difficult to understand.

We have, of course, to presume that the Companie only for the best price that can be

accepted is of course a matter for the Companies primarily but we are also interested in it, especially when, as I have stated above, the price accepted is different from what we should expect it to be. Moreover, the Secretary & Treasur of Messrs John Taylor & Sons Committee stated in the last para of his letter dated 5th November 1919 that his "Commit .....particularly desire that the Government should "kept fully informed on these points." Under these circum stances, our enquiry for more particulars in regard to t h price at which half the production is sold in India will no be misunderstood by the Companies and I put up a draft aski for more information.

5. The reply to our reiterated request for payment o the whole royalty and the price of power in India is that, the working costs under Labour and materials have increased substantially and as only one half of the output is sold tc Government of India, the Companies cannot pay us in India m than the royalty calculated on one half of the net sale prc This reply suggests the enquiry why if the Indian sale of half of the output does not suffice for paying us the whole royalty, and the price of power in silver, a larger fracti the output cannot be sold to the Government of India to cor with our request. I have included this enquiry also in tl draft put up.

6. What should be the future arrangement for paymen royalty and the price of power is a very important matter, it cannot be considered in the absence of information whic have proposed to call for in the draft put up.

7. In the meantime, however, it is well to consider point. The price for which the Companies are now selling both in India and in England is much less than what can be obtained for it and they have not told us why they have r asked for and obtained the freedom for disposing of it to best advantage as the South African and Australian Mining

n bullion, we can arrange for its sale through the Governme
f India or otherwise and get its proper market value. The
ompanies are not now getting the benefit of the premium on
old, which goes to the Government of India and the British
int. The payment to us of royalty in bullion does not put
he Companies to loss, while it enables us to save the loss
to which we are now compelled to submit by the arrangement
which the Companies are parting with their production for l
than its proper price.

3. The payment in bullion of royalty is not contempl
in the lease and the relevant clause in it runs as follows:

"AND ALSO YIELDING AND PAYING a royalty of five per ce
"upon the net sale proceeds of all gold metallic ores, coal
"other substances of a saleable or merchantable nature four
"on the mining block which shall have been crushed, dressed
"made merchantable by the Lessees."

This clause provides for the payment of 5 per cer
of the proceeds of sale of gold, but I think we may in viev
the circumstances stated above, suggest the payment of 1/2
of the output itself instead of that fraction of the s a
proceeds. This suggestion presents no practical difficul
and in fact, it largely simplifies the calculation as the
ment required will be a share of the output itself and its
need not be a factor in the calculation at all. Our shar
of the output representing the royalty payable under the a
clause may be made over by the Companies to the Government
India and we may request the latter to sell our gold alon
theirs or if this arrangement is not suitable, we may con
some other method of disposing of it to the best advantag
Whether this suggestion is feasible or not has to be asce
ed and I have therefore asked for information on this point, als
the draft put up. It is a fact that we are put to loss
the arrangement wh under which the Companies are selling
gold for less than its market value -- even its statutory
value -- and we should try every means to save such loss.

9. The second item of royalty consists of an amount c culated on dividends declared and payment in bullion cannot suggested in respect of it. The prices for power is fixed i pounds sterling and the suggestion of bullion payment cannot apply to it also. The draft therefore suggests bullion pay ment only in regard to the 5 per cent. of output.

Ge7 82-19-4

3rd note by the Financial Secretary re Sale of gold by the Companies

We raised the following points:

(1) Why half the gold of the Kolar Mines is still sold in London at the old rate of £ 3-17-9 per standard ounce instead at its proper market value, which is about 100 sh. per ounce.

(2) Why the sale of the other half in India is at Rs.55- per ounce, when it should be much more in view of the large p gold is commanding in the Indian market.

(3) Payment to us of the 5 per cent. royalty calculated output in the form of bullion instead of in currency. We pro- posed this to get the proper market value for our share of gol and (4) Payment to us in India of the whole royalty instead only one.half from the proceeds of the sale by the Mines to th Mint at Bombay, of a larger share than one-half of the output.

2. The communication dated 7th January 1920, now receive contains answers to all the points though our letter dated 19t December 1919, in which points 2, 3, and 4, were raised, is st to be still under reference to Messrs John Taylor & Sons, Londo

3. The answer to point (1) is that the Companies have e tered into an agreement with the Bank of England to sell the K gold at the regulation price of £ 3-17-9 per ounce during the and "until one year after the termination of the War". The Co panies are, therefore, powerless to help themselves or us. Mining Companies in other British dominions have been release from their contracts with the Bank of England and permitted t sell their gold in the open market. Why the Indian Mining C panies have not been pimilarly released is not clear and in a case, we have to lose with the Companies, until the latter ge the freedom to dispose of their production in the open market for the best price that can be had for it from time to time.

4. The answers to points 2, 3, and 4 are similar and the Companies state that the Government of India have permitted them to sell only one half of the production in India and that at a very low rate as compared with the market value of gold and under the existing arrangement, they can neither give us any share of royalty in gold, nor realise a better price for gold nor give us more than one half of royalty in rupees in India. Thus the Indian arrangement is also against the Companies and us and the Government of India are making a large profit at the expense of both. There is, however, no help until the Companies get freedom to sell their production for the best price that can be had for it.

5. How the position will be altered by the publication of the Currency Committee report which is imminent and by the action taken by the Government of India to define the relation between rupees and gold or pound sterling, it is not now possible to say. In the meantime, it does not appear to me that any useful further action can be taken in the matter. The letter now under consideration may be acknowledged with thanks for ~~we hope that~~ the information furnished by it and we may add that we hope that the present arrangements under which the Companies in England as well as in India are disadvantageous both to the Companies and the Mysore Government will be terminated as early as possible, and that in the new arrangements to be made, the request of the Mysore Government for the whole royalty being paid to them in India and for the royalty being paid in bullion or payment from sale proceeds is disadvantageous to them, will be kept in view.

GF 82-19-4

4th note by the Financial Secretary.

Re payment of Gold Royalty in India if the mine Companies cannot dispose of their gold for the be

A form of the lease is put up.

2. The clauses relating to the payment of royalty ar Nos. 7, 9 and 15. Royalty consists of two parts: (1) 5 % net sale proceeds, and (2) 2½ % on dividends.

3. There are two points to be considered in connecti with the payment of royalty: (1) place of payment, and (2) currency of payment. The place of payment is not mentioned in the lease. The practice under which payments of royalty are being made in London is the result of an understanding b ween the lessors and the lessees. The currency of payment not also specified in the lease. The practice according to which payment is being made in sterling in London is due to the arrangement under which the Mines are selling their pro- duction to the Royal Mint there.

4. Half the production is sold by the Mines in Indi to the Government of India and the price at which gold is so to them is Rs.55-8-0 per standard ounce. The other half is sold to the Mint in London at the rate of £ 3-17-9 per stand ounce. The agreement of the Mines with the Government of India for the sale of half the production at Rs. 55-8-0 per o is for a period of one year ending with May next. What is exactly the period for which the Companies have contracted sell the other half to the Mint at London at the rate of £3- is not known as no definite information in this respect has been furnished by the Companies.

5. The arrangements for sale, both in India and in England, are decidedly disadvantageous to us. The price a which the Government of India are buying the Kolar gold is neither the statutory rate of Rs.15/- for a sovereign equiva

should be Rs.58-8-0 and not Rs.55-8-0. At the market rate th price should be more. Again, the price at which half the p duction is sold to the Mint in London is £ 3-17-9 per standa ounce which is equivalent to 84/11¾ d. per fine ounce. Th present market price of afine ounce of gold is as high as 1: It is difficult to understand how the Companies have entered xx agreements resulting in serious loss which has to be sha both by them as well as by us. With a view to find out what exactly ~~ert~~ were the conditions of the arrangement with t h Government of India for the sale of half the production in I we asked the Companies to give us a copy of the agreement co taining the conditions of sale. We did not, however, get a satisfactory answer to this enquiry: vide our letter dated September 1919 and their reply dated 11th September 1919. Ag we pointed out that as the gold Mines in other parts of the Empire were disposing of their production in the open marke for the best price that could be got for it, there was no reason the production of the Kold Gold Fields should not also be so for the highest price that could be got for it. The reply this enquiry was not also satisfactory. The explanantion o ed by the Companies is that under the agreements entered int xx by them both with the Government of India and the Mint i London, they have to part with their production at rates be market prices; but the point which is not clear is why the made such agreements at all or why they cannot get released from the contracts.

6. The Gold Mines in other parts of the Empire were under a similar obligation during the War to sell their pro duction to the British Mint at the regulation rate of £ 3- per standard ounce. But they were released from this obl tion so far back as July last. In the annual Financial a Review published by the London Times and receiv 19th instant appears the following statement:-

"by which the Transvaal Rhodesian, West African, and Indian "producers were allowed to sell their gold as it was produce the open market, the arrangement being that the gold, if it "ed to find a buyer in the market after six weeks of its arr " should be sold to the Bank at the Mint price". Accord to this statement the Kolar Gold Mines have the freedom to s their production in the open market for the highest value th can be got for it. How in spite of this freedom they are s ing their production at very much less than the market rates in India and in England, it is difficult to understand. T above statement appearing in the Times cannot also be reconc with the explanation of the Companies that they are under a tractual obligation to sell their output to the Government India and the Mint in London for prices very much less than the market can pay for it.

7. There is another aspect of this question to which is necessary to invite attention. Because payment is made London, we are faced with the problem of bringing over the m to India. This problem has become complex on account of th extremely unstable condition of exchange which is moving mor and more against us. The present rate is in the neighbourh of 2/11 d. and if we arrange for a remittance of our funds f London by means of Council Bills or Exchange Bank drafts, we shall get less than Rs.7/- per pound. The alternative of i ing coin itself naturally suggests itself to save the loss on exchange. But the export of gold is controlled by the Gove ment of the United Kingdom and private imports of gold into India are prohibited by the Government of India. Exports ld from England are being permitted under license and v e rge quantities of it are being brought to India by the Gov nt of India themselves. There is no reason why the Gover Mysore should not be permitted to bring their balance to is true that what we hold in London is only sterling cred t this credit can, I think, be converted into gold as curr

has not suspended gold payments. A few days back, I wired t
Messrs Coutts & Co. through the Comptroller enquiring if our
balances can be converted into gold pounds for disposal at c
option. The reply received from the Bankers shews that the
is likely to be no difficulty in obtaining gold but that onl
the permission of the Home Government is necessary for its e
port. There is another reason why our request for the conv
sion of our sterling credit into gold should be considered p
fectly reasonable. As I have stated above, the gold produc
by the Kolar Mines is being sold in London at the rate of £
per standard ounce. This rate is the Mint price and repres
the bare coin equivalent of an ounce of standard gold. Whe
Mint purchases gold for its coin equivalent, the request fo
payment of sale proceeds in coin cannot be held to be unrea
able. As for the prohibition of the import of gold into I
it seems to me that the Gold Import Act under which the Gov
ment of India are compulsorily acquiring all gold coming t
India cannot strictly apply to consignments of the Mysore G
and even if it applies, the Governor-General has the author
under the same Act to exempt the imports to Mysore from t
operation of the law. This question has been raised but n
answer has been received though the matter has been before
Government of India for over four months.

8. If the difficulties in the way of export of gold
from England and its import into India are insurmountable,
the question arises why we should permit the part of the pr
duction of our Mines representing the royalty payable to us
be exported at all, when the export imposes such great diff
disabilities on us and puts us to substantial loss. The
solution in such circumstances, would be to ask the Mines t
pay our royalty in India in gold bullion so that we might
for it its proper market value. Payment in bullion was su
gested to the Companies but they stated that until their p
sent ~~positie~~ contracts with the Government of India and t
Mint in London were terminated, they could not consider ou

December 1919 and their reply dated 7th January 1920.

9. The above paragraphs explain the present position and the action taken so far. We are losing heavily from - the arrangements for disposal of gold made by the Companies and the prospect of our getting the premium which the India market is willing to pay for gold is also being lost, as, owing to the large sales of gold by the Government of India the premium is fast decreasing. As the consequence of such sales, the price of a sovereign which was once as high as Rs.20/- has now been brought down to Rs.15-4-0. As a result of the recommendations of the Currency Committee and the action that is being taken by the Government of India on such recommendations, the price of gold may even fall below Rs.15 per sovereign and the statutory rate may also be reduced to Rs.10 per sovereign. In such circumstances, it is necessary to request the Companies to pay in India our royalty in bullion, if they cannot dispose of their production for the best price and give us our royalty calculated upon such price. It is undesirable to allow any delay to occur as the price of gold is falling as the result of the fortnightly sales of large quantities of gold by the Government of India.

Brief notes on Sterling receipts
(Royalty, Electric Works)

Geological Department.-- The sterling revenue of this department is the royalty on gold. Royalty consists of two - parts: (1) 5 % of net sale proceeds of gold produced, and (2) 2½ % on dividends paid to share holders. As I have stated in my note dated 26th February 1920, the leases with the Companies do not specify either the place or the currency of payment. All along the gold produced by the Mines was being sold to the British Mint in London and the price received was £ 3-17-9 per standard ounce. Until the War, there was no divorce between gold and sterling and the Government of India were also able, according to their policy of gold ~~st~~ exchange standard, t o maintain the sterling exchange value of the rupee at 1 sh. 4d. Under these conditions, it did not matter to us that the royalt was received in London as we could easily get the amount remit. ted to India and that at about 1 sh. 4 d. the rupee, the marke fluctutations being quite minor and amounting only to 1/16th or 1/32nd of a penny more or less than the standard exchange rate.

2. Ever since the disorganization owing to the war of foreign exchanges and the increased and still increasing ster- ling value of the rupee, we have been subject to very consider 'able loss and inconvenience. For a long time, we could not even get our money remitted to India. Remittance is now poss ble but it will entail substantial loss. We have represented to the Government of India that we should be given permission to bring our gold balance to India in order that we may realis or it the still statutory rate of Rs.15 per £ so long at leas s such rate is maintained. Though it is now more than five onths since the ~~presenta~~ representation was made, we have no

Currency Committee and the acceptance of the recommendations o: that Committee by the Secretary of State has settled one point vital interest to us. I refer to the fixing of the value of the rupee at one-tenth of the bullion content of a sovereign. The Government of India have also decided upon legislating for reducing the internal ratio from Rs.15 to Rs.10 per £ as soon as such an arrangement becomes possible. In the case of imports into India, the ratio has already been reduced to that level, as the acquisition rate of a sovereign under the Gold Import Act is now Rs.10. As it has been decided, that the silver val of a sovereign should be Rs.10, we are permanent loses to t h extent of one-third of our revenue in sterling.

4. The question is whether there is any way of saving the loss entailed by the altered conditions and the reduced rate - adopted by the Government of India. The Indian market w a s hitherto paying a substantial premium on gold, but this premiu has been largely reduced by the gold sales made by the Governm of India. At the sale held on the 19th February 1920, the minimum tender accepted by the Government of India was as low as Rs.16-2-3 per tola, which is the equivalent of about Rs.10 pe £. At the sale held on the 3rd instant the average rate acce ed was Rs.18-12-4 per tola. I understand that even the retail market rate for a sovereign is slightly below Rs.15 and t h a people are accordingly returning sovereigns into Government -- treasuries as they are still accepted at Rs.15. The prospect, therefore, of bringing down the internal ratio from Rs.15 to Rs. does not seem to be distant and when this reduction is made, t commercial and currency value of gold will be the same and w cannot expoect more than Rs.10 per sovereign (11.3 grains of go

5. Half the gold produced by the Kolar Mines is now sold to the Government of India at Rs.55-8-0 per standard ounce, and half the royalty due to us is also being in India and at this rate. This arrangement will terminate in May next and considering the downward tendency of the value of gold, the pro-

probability is that the price that will be fixed in the next contract for sale will only be at the rate of Rs.10 per sovere The other half of the gold produced by the Mines is now being sold to the British Mint in London at £ 3-17-9 per standard - ounce. This rate is the bare coin equivalent of an ounce of gold and it is much less than the market rate which is now in the neighbourhood of 118/-sh. per fine ounce. Attention is invited in this connection to Mr. Edgar Taylor's speech at th meeting of the shareholders of the Champion Reef Company held on 29th January 1920. It will be seen from this speech that the Companies are anxious to sell their production in the Ind market which apparently offers the best price for gold. As have already stated the premium on gold which the Indian mark was paying has been largely reduced by the saturating sales o gold made by the Government of India and if, as it is their intention, the Government of India succeed in reducing the commercial price of gold to Rs.10 per sovereign., the Comapnie Can sell their production to the Government of India or to th Indian market directly only at this rate. Compared with the present statutory rate of Rs.15 per sovereign, we shall lose one-third of revenues and there is no way of saving ourselves this loss. If, for any reason, the commercial value of gold is more than Rs.10 per sovereign, we should expect the Compani to realise such value and if they do, we shall also get our share of such increased value in respect of royalty calculate on gross out-turn.

6. Until the arrangement of sale of half the production to the British Mint in London at the rate of £ 3-17-9 per -- standard ounce is continued, the question arises how we shoul save ourselves the loss entailed by the payments made to us i sterling in London. Sterling has very largely depreciated an its value is still going down and the Companies cannot expect us to accept payment in paper pounds. The leases provide fo payment ~~xxxxx~~ of 5 per cent. of net sale proceeds and when wh

is sold is gold and when the price (£ 3-17-9)per Standard ounce for which it is sold is bout the bare coin equivalent, our right to gold sovereigns and not paper pounds cannot be denied. For gold we can demand at least Rs.10 per sovereign, if not Rs.15 as long as this rate is allowed. The present rate of exchange is about 2 sh. 11 d. the rupee, i.e., less than Rs.7 per £. This rate can only be for sterling or for paper pound and not for gold sovereings in which we have a right to claim our royalty ACurrency is not legally inconvertible in England we have a right to demand gold for our sterling credit with out Bankers especially when the gold was sold for only £ 3-17-9 per standard ounce. If the gold had been sold for its proper market sterling value, i.e., for prices considerably more than the Mint par rate, we would have received more sterling and it would have compensated us for the reduced value of sterling. If there is any difficulty in the way of our getting at least Rs.10 per pound of our royalty, then we must take up the matter with the Companies and demand gold as we cannot take payment in paper pounds.

7. The second part of royalty consists of 2½ % of dividen paid to shareholders and if the dividends are declared in ster ling, the Companies will probably offer to pay us our share in the same currency. When the sterling will regain its gol value, it is impossible to say and until full convertibility is established in the United Kingdom, conversion of sterling into rupees will entail considerable loss on us. In view of this and of the fact that dividends like any other charges to be borne by the Companies are ultimately derived from the gol produced, I think, we may claim payment of this part of royal also in India at the rate of Rs.10 per £. If, however, the Companies sell their gold for a higher rate than Rs.10 per sovereign, we should get our Royalty calculated on dividends also at the same rate.

m8. Electrical Department.-- According to the contract with the Mines, the price of electric power supplied to them is payable to us in London at the stipulated rate per horse

horse power. Clause 11 of the agreement provides that these payments be made in London in pounds sterling. We have asked the Companies to make this payment also in India and they have replied to say that as they are selling only one half of their production in India, they cannot pay the price of power also in India. We have told them that there is no reason why they should not sell a larger share to enable them to pay us the price of power also here. Supposing they agree to pay this revenue also in India, the question arises at what rate the sterling should be converted into rupees. They are likely to contend that as the contract provides for payment in pounds sterling, they need pay us only at the market rate of exchange between sterling and rupee. If such rate is not less than the -- internal ratio of one sovereign to Rs.10 proposed to be adopted by the Government of India, we need not object. If, however, such rate is less, I think, we have a right to contend that what is contemplated in the agreement is not the depreciated pound sterling but the pound sterling convertible into gold. It has to be remembered that at the time when the contract was entered into, sterling and gold were convertible terms and the depreciation of sterling was never contemplated. It has also to be remembered that the price of power payable by the Companies really comes from the gold produced by them. It has also to be presumed that when the contract was executed, the pound sterling at which payment was required, was taken to represent a particular part of the production forming one of the items of working charges. The Companies cannot take advantage of the depreciation of sterling and give us a smaller amount that was inteded by the contract. For the price of power, there which also we should ask the Companies to pay in India, we may require the statutory rate or if they sell their production at a higher rate, we may claim that pounds should be converted into rupees at such rate

9. Public Works Department.-- The price of water supplied to the Mines from the Bethamangala Tank is fixed in silver and is now being paid in India. No question of loss on exchange arises therefore in regard to this item of revenue.

(Id.) M. N. K.,

9-3-1920.

tc POSTS TELEGRAPHS.

Bgl. 4

NOTICE.
This form must accompany any inquiry made respecting this Telegram.

Charges to pay.
Rs. | As.

BANGALORE
17 APR 20
G.T.

Handed in at (Office of Origin) | Date. | Hour. | Minute.
mysore | 16

Service Instructions.
Re Gst Cl-at B
Rg Ewd Bg

Received here
Dispatched

TO first member
of Council Langford road
Bangalore

your message just rece
I have taken acting
already presuming yo
consent please see my m

[illegible] of the Sender, if telegraphed, is written after the text.

POSTS TELEGRAPHS.

NOTICE.

This form must accompany any inquiry made respecting this Telegram.

Charges to pay.	
Rs.	As.

Office Stamp

Handed in at (Office of Origin)	Date.	Hour.	Minute.	Service Instructions.

Read. here at

TO

my minute on the
file returned tonight

Kandaraj

GOVERNMENT OF MYSORE

Telephone

"Secretariat"

Cypher

Office Telegraph

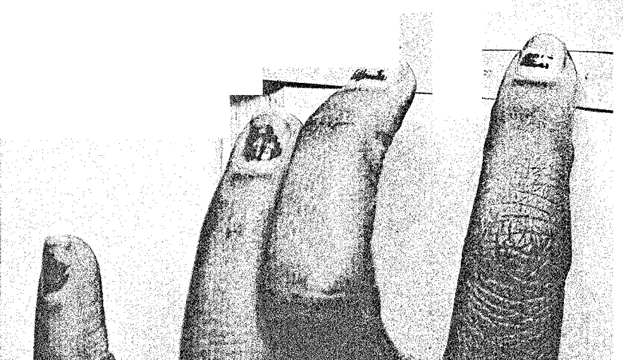
From

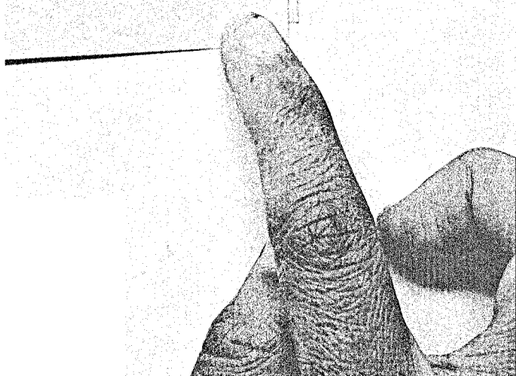
With reference to the note you
handed to me yesterday Council
of Command that I proceed to
Canada to. in connection with the
Imperial Survey. I saw the
Viceroy this morning & read the
two letters myself & explained
to him the circumstances that the
Board has held up the Ceylon
Coast Survey - & the Russian
survey [illegible] the matter
when the Viceroy was returning
to Simla the

The may affect
our position Although

The means immediately — which
of course cannot be avoided. In
the meantime they suggest
that a letter as well as
telegram. My Colleagues & The
Colonial Sec^y & The Governor
suggested [illegible] should [illegible] them all
to [illegible] by
telegram [illegible] already [illegible]
that Darbar have made
a [illegible] to [illegible] the Resident
to [illegible] to [illegible] of the
personal [illegible] of the
Darbar [illegible]

Meanwhile, the Colonial
Secy may be informed that the
Darbar may well be glad to
send a [illegible] representation to
them the position of the
the Finance Members if necessary
and my Salute on the Darbar
proceed be substituted —
In hearing from you I would as
well that such a course will
be agreeable to [illegible]. There
may be added that
the [illegible] is urgent and
the [illegible] says [illegible]
must be required [illegible]





Dated 10th April

I calculated

Wednesday - & the torque sank

the Dark Blue 4 on 20 lac

in Reserve.

If Pt J would agree

I should proceed

I shall gram glad

the talk & you with

Lend any Doctor

before telling

the Press Lee - that

by India

them

matter. I hope Thimmaiah

Yesterday clear —

In the letter to Prof Wood

up on her Ready letter

Enclosed - & he may be asked

that reply by telephone —

I fear the Conference about

can not take place before

India have actually received

letter upto which in all

probably will not reach them

before the end of the month

& if I have to send

in May, it will not leave

time to get to Calcutta

in Connection ... the arbitrators

Hand

Extract from D.O.letter dated the 24th April 1920 to the Dewan.

.....

I had also a talk with the Resident who was present during my discussions with Mr. Ward and from his talk I gathered that he had sent in a very clear demi-official letter to the Govt: of India on our financial proposals and said that in case the Govt of India are still doubtful regarding the case, the Durbar officers may go and intetview the Finance Member. Mr. Barton seemed to think that the Govt: of India may not consider this [illegible] that he had explained

K.I. POSTS & TELEGRAPHS.

NOTICE

This form must accompany any inquiry made respecting this telegram.

Charges to pay. Rs. As.

Office Stamp.

Words.

Service Instructions.

Handed in at (Office of Origin) | Date | Hour | Minute.

Bangalore | 18 | 10 | Sep

Rec'd. [illegible] 9 A. 46 M.

BEMERJI ESQ MEMBER OF COUNCIL BANGALORE

S HIGHNESS HAS APPROVED YOUR DEPARTURE TO SIMLA TO DIVISION FINANCIAL
EMBER HE WOULD BE GLAD IF YOU WOULD EVADE YOURSELF OF OPPORTUNITY
O MEET POLITOAL SECY AND SPEAK TO HIM ABOUT THAT BIG QUESTION ASCERTAI
F POSSIBLE WHERE QUESTION PENDING AND SO ON LET ME KNOW YOUR ADDRESS
T SIMLA AND WHEN YOU STARTING FROM BANGALORE SHALL WRITE TO YOU FURTHE

D.O.C. No. 2
En. 1

Copy

DEWAN OF MYSORE

AWDRY HOUSE,
FERNHILL,
NILGIRIS.
19th April 1920.

My dear Mr. Benson,

I am in receipt of your letter dated 16th instant. I daresay you have read my minute of the 16th idem on the file which, returned to your address in a box sent by the messenger from Mysore on that night. As noted therein I have addressed the Resident to request Government of India to let you and the Financial Secretary proceed to Simla to interview the Finance Member on this question and have also explained to him the urgency and importance of it. It would perhaps be not regarded as quite the right procedure for me to put myself in direct communication with the Political Secretary. Of course, I never meant that our officers should go on this deputation without the previous approval of Government of India. I thought I had made this clear in my pencil note I handed over to you at the meeting. I have requested the Resident to wire and get orders. I am fully aware that this visit

Copy of the telegram dated Srinagar 18th April 20 from the Huzur Secretary to H.H. The Maharaja of Mysore to the Dewan of Mysore.

----------P

Your telegram of 16th. His Highness approves deputation of First Member and Financial Secretary to Simla.

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

Subject to the First. Secy

The First Member would like to have a spare copy of the Dumb letter to the Residency of 10th to 14th April 1920, in re to import of sovereigns.

AD
26/4

Today

Sir Narayana Menon

Please arrange to send

[illegible]
26/4/20

A copy of the letter referred is placed below.

[illegible]
27.4.

Personal Assistant to the First Member

D.O.No.693.

Bangalore,

10th April 1920.

Dear Mr. Barton,

I beg to acknowledge the receipt of Major Plowden's demi-official letter No.2977 dated the 31st March 1920, -- regarding the proposal of the Durbar for importing their gold balances from London. I request you to be so good as to convey to the Government of India the sincere thanks of the Durbar for so kindly complying with their request.

The second instalment of the subsidy payable this year was due on the 31st March 1920, and, as the orders of the Government of India on the representation of the Durbar for paying it in London were not received in time, the payment had to be arranged for in India. The subsidy was paid on that date at Bombay to the Deputy Controller of Currency there. All the same, the Durbar are grateful to the Government of India for allowing the subsidy to be paid in London and also for offering to extend the time for its payment, if necessary, by three or four months. The postponement of the March payment however, could not be availed of, owing to the circumstances explained above.

The payment of the subsidy has very seriously depleted the treasury balances of the Durbar and they accordingly propose to avail themselves of the concession so kindly extended by the Government of India. The bulk of this balance consists of royalty and price of electric power paid by the Kolar Gold Mining Companies out of their production which is being sold to the Bank of England at the rate of £3-17-9 per standard ounce. This price represents the bare coin equivalent of an ounce of standard gold and the share of the sale proceeds given to the Durbar on account of these items of revenue pay-

able to them by the Companies represents, therefore, not sterling credit but sovereigns. The Durbar also understand that currency is legally convertible in the United Kingdom.

As the coin value of a sovereign is the same as that of a pound sterling, the Durbar fear that they cannot get in the open market a quantity of bullion equal to the bullion contents of -- the sovereigns which they desire to exchange for gold. The purchase of bullion, in these circumstances, will not give the Durba any advantage, and they therefore now request that the Government of India may permit them to import sovereigns themselves. In support of this request, they would urge the following consideration in addition to those mentioned in the previous correspondence:-

(i) Almost the whole of the gold exported from India to London and acquired by the Bank of England is from the Mysore State.

(ii) The present request is for permission to bring back to M Mysore a fraction of the gold originally sent from Mysore.

(iii) The privilege of free import of gold bullion now kindly accorded can be availed of by the Durbar in respect of their -- future revenues from royalty and price of power as such an arrang ment is feasible according to the terms under which the Kolar Gol Mining Companies have the freedom to sell their gold within six weeks after its arrival in London. The position of the Durbar ir respect of their past revenues cannot be considered different in this respect, especially in view of the fact that the price at -- which the Bank of England bought the produce of the Kolar Gold -- Mines was the regulation rate of £3-17-9 per standard oz. When t object is to obtain the proper market value for gold, the differe between gold bullion and sovereign is artificial and the Durbar would request that this difference may be overlooked and that the be allowed to import sovereigns.

(v) The Durbar believe that one of the objects of not havi given immediate effect to the recommendations of the Currency Co mittee for fixing the value of a sovereign at Rs.10 for internal circulation is that those who already hold sovereigns may have chance of obtaining the old statutory rate for it. The bona fid revenues of the Durbar realised in London and held up there dese the same consideration as has been extended to the private holdi of sovereigns in India. The amount now to the credit of Mysore Government in London was not acquired as a result of any specula tive transactions. Besides the bulk of it, as already stated, i really bullion, as it is derived from the production of the Kola Gold Mines sold to the Bank of England for its bare coin value.

The exchange value of the rupee will, under the orders recently issued, stand at 2 shillings as a permanent measure and the prevailing rate is higher still. The resulting gain on exch has substantially improved the revenue position of the Imperial Provincial Governments. The Mysore Government with their large sterling revenues are, however, in the reverse position and the decreased value of sterling in relation to the rupee entails sub tial loss on them and the loss calculated with reference to the shilling rate is permanent. The financial position of the Durba has been very adversely affected and they are compelled to raise funds by additional taxation even for the present standard of th expenditure and commitments. In these circumstances the request of the Durbar deserves sympathetic consideration at the hands of the Government of India, and kind compliance with it will enable them to save temporarily a part of the permanent loss caused by new conditions of exchange.

In the circumstances represented above, the Durbar are anxious to arrange for this transaction as soon as possible, wit view to obtain for their gold the price which the Indian market now prepared to pay. As the commercial price of gold

declining and as the question of allowing free imports of gold also appears to be under the consideration of the Government of India, the Durbar would feel greatly indebted if they are enabled to import their sovereigns before the price of gold goes down -- further.

The Durbar therefore request that the necessary permit for export of sovereigns may be given to their bankers, Messrs.Coutts and Company, and that needful instructions also issued to the -- authorities in India for allowing consignments to be imported in Mysore without being brought under the Gold Import Act. The Durbar will be much obliged if the permit and instructions referred to above are issued by telegram.

Yours sincerely,

(Sd.) M. KANTA RAJ URS.

9th April 1920.

To

The Hon'ble Mr. W. P. Barton, I.C.S., C.I.E.,

Resident in Mysore.